

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02

SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 /099 W

-----090607Z 081579 /14

R 090500Z MAR 77

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 9903

INFO AMEMBASSY SEOUL

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SEOUL FOR ROEHM

E.O. 11652: N/A

TAGS: EAID, ENRG, TH

SUBJECT: RTG REQUEST FOR NATURAL GAS PROJECT ASSISTANCCE

REF: (A) STATE 46286, (B) BANGKOK 4353, (C) BANGKOK 1939

1. AMBASSADOR ON MARCH 3 RECEIVED LETTER FROM MINISTER OF
INDUSTRY REQUESTING "TECHNICAL AND ECONOMIC ASSISTANCE" FROM
USG FOR NATURAL GAS PROJECT. TEXT FOLLOWS:

QUOTE: EXCELLENCY: I HAVE THE HONOR TO SEEK YOUR EXCELLEN-
CY'S KIND CONSIDERATION WHETHER IT IS POSSIBLE TO OBTAIN
TECHNICAL AND ECONOMIC ASSISTANCE FROM YOUR EXCELLENCY'S
GOVERNMENT FOR THAILAND'S NATURAL GAS DEVELOPMENT PROJECT IN
HAVING THE INTERNATIONAL PETROLEUM CONSULTANCY FIRM OF DE
GOLYER AND MACNAUGHTON OF HOUSTON, TEXAS, TO ASSESS THE
NATURAL GAS AND OIL RESERVES IN THE GULF OF THAILAND, AND
HAVING THE PIPE LINE TECHNOLOGISTS, INC. OF HOUSTON, TEXAS,
TO CARRY OUT DETAIL ENGINEERING SURVEYS AND DESIGNS OF THE
NATURAL GAS PIPELINE SYSTEM FROM TEXAS PACIFIC'S

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(FORMERLY TENNECO'S) AND UNION OIL'S FIELDS TO BANGKOK.
SHOULD IT BE POSSIBLE, I WOULD LIKE TO PROCEED WITH THESE
TWO STUDIES AT AN EARLY CONVENIENCE OF YOUR EXCELLENCY'S
GOVERNMENT, AND I WOULD HAVE THE DEPARTMENT OF MINERAL
RESOURCES APPLY FOR THE SAID ASSISTANCE THROUGH THE
DEPARTMENT OF TECHNICAL AND ECONOMIC COOPERATION WITHOUT
DELAY.

I AVAIL MYSELF AT THIS OPPORTUNITY TO REASSURE YOUR EXCELLENCY OF MY BEST REGARDS AND HIGH ESTEEM. YOURS VERY TRULY, /S/ PERM LIMPISVASTI, MINISTER OF INDUSTRY.

END QUOTE.

2. IN REGARD FOREGOING, IT SHOULD BE NOTED THAT AT UNION OIL'S EXPENSE AND, WE THINK, UNKNOWN TO RTG, DE GOLYER AND MACNAUGHTON HAS ALREADY CONDUCTED STUDY OF NATURAL GAS AND OIL RESERVES IN UNION'S BLOCKS IN GULF, AND PIPELINE TECHNOLOGISTS, INC. HAS COMPLETED PRELIMINARY STUDY OF POSSIBLE PIPELINE ROUTE FROM UNION BLOCKS TO SATTAHIP AND THENCE TO BANGKOK (REF. B). THEREFORE, RTG PROPOSAL TO CONDUCT BROADER STUDY OF OIL AND GAS POTENTIAL IN ALL CONCESSIONS AND TO HAVE PIPELINE TECHNOLOGISTS CARRY OUT DETAILED ENGINEERING SURVEYS AND DESIGNS OF GAS PIPELINE SYSTEM WHICH WOULD EXTEND SOUTHWARD BEYOND UNION OIL'S CONCESSIONS TO TENNECO/TEXAS PACIFIC FIELDS PRESUMABLY BE REQUIRED SHOULD RTG CONTRACT FOR THIS WORK WITH DIFFERENT FIRMS OR HAD UNION NOT ALREADY PAID COST OF PRELIMINARY STUDIES. IN THAT REGARD, UNION OIL V-P FOR BANGKOK TOLD EMBOFF SOMETIME AGO THAT UNION IS, UNDERSTANDABLY, HIGHLY ENCOURAGED BY FACT THAT DE GOLYER AND MACNAUGHTON EXPERTS CONCLUDED ON BASIS STUDY OF UNION'S DRILLING DATA THAT NATURAL GAS DEPOSITS IN UNION'S BLOCKS ARE MUCH LARGER THAN EVEN UNION'S OPTIMISTIC GEOLOGISTS ASSESS THEM TO BE.

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3. WE BELIEVE THAT RTG OFFICIALS WHO HAVE RESPONSIBILITIES FOR NATURAL GAS PROJECT ARE WELL DISPOSED TOWARD USG AND HOPE TO SEE U.S. FIRMS SECURE REASONABLE SHARE OF PIPELINE CONSTRUCTION BUSINESS. HOWEVER, MANY OF THESE OFFICIALS RECALL VIVIDLY THE ALLEGATIONS HURLED AT THEM BY "ACTIVISTS" DURING "TEMCO AFFAIR" IN 1974-75 AND WISH TO INSULATE THEMSELVES POLITICALLY AGAINST SUCH CHARGES IN FUTURE BY HAVING EXPERT, INDEPENDENT ADVICE ON POTENTIAL RESERVES PRIOR TO MAKING ANY FIRM COMMITMENT. FOR SAME REASONS, WE BELIEVE, THAI BROUGHT IN BRITISH GAS CORP. AS ADVISOR IN PRICE STRUCTURE TALKS WITH UNION AND HIRED FRENCH SOFREGAZ TO DO MARKETING SURVEY, THUS GIVING INTERNATIONAL, RATHER THAN TOTALLY U.S., FLAVOR TO STUDY OF PROJECT.

4. WE SUGGEST, THEREFORE, THAT (1) DEPARTMENT-AID/W TAKE SOUNDINGS WITH FIRMS CITED BY MINISTER AS TO POSSIBLE COSTS (US OILMEN HERE ESTIMATE STUDY OF RESERVES WOULD COST LESS THAN U.S. \$100,000), AND (2) IF COSTS ARE

WITHIN REASON, WE BE AUTHORIZED TO TELL MINISTER USG IS
PREPARED TO ASSIST WITH PROJECT. OUR OBJECTIVES, AS WE
SEE IT, ARE: (1) TO GET THESE STUDIES, AND HENCE THE
PROJECT, UNDERWAY SOON, AND (2) TO SECURE LARGEST POSSIBLE
SHARE OF FINAL BUSINESS FOR U.S. FIRMS.

5. IF DECISION IS MADE TO GO FORWARD, WE WOULD, DEPENDING
ON ESTIMATED COST, OFFER ORIGINALLY TO FUND STUDIES ON
REIMBURSABLE BASIS UNDER SECTION 607 OF FOREIGN ASSIST-
ANCE ACT. PRINCIPAL ATTRACTION FOR RTG PRESUMABLY WOULD
BE ACCESS TO QUICK AND CHEAP SOURCE OF CREDIT FOR STUDIES.
IF, HOWEVER, IT SHOULD APPEAR THAT THIS PROPOSAL WOULD
LEAD TO DELAY, WE COULD OFFER TO PARTICIPATE IN STUDIES
ON MATCHING-FUND BASIS WITH RTG UNDER SECTION 661. IF
THIS, TOO, SHOULD APPEAR TO THROW UP UNNECESSARY ROAD-
BLOCK, WE COULD OFFER TO BANKROLL STUDIES IN ENTIRETY
ON ASSUMPTION PROJECT MEETS STANDARDS ESTABLISHED IN
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STATE 38633.

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02
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6. KEY TO ENTIRE PIPELINE PROJECT REMAINS PRIOR AGREEMENT ON GAS PRICE STRUCTURE. UNION AND RTG ARE NEGOTIATING ACTIVELY, AND UNION PLANS TO SUBMIT FOURTH DRAFT OF PROPOSED CONTRACT TO RTG BY END OF WEEK. MAJOR ISSUES, INCLUDING PRICE, HAVE TO DATE BEEN DISCUSSED ONLY IN GENERAL TERMS, WITH BOTH SIDES ADOPTING STRATEGY OF SEEKING AGREEMENT FIRST IN THOSE AREAS IN WHICH THERE ARE NO MAJOR DIFFERENCES. UNION HAS TWO BASIC OBJECTIVES: (1) THAT RTG GRANT UNION DEFINITE MARKET FOR SPECIFIED AMOUNT OF GAS AT SPECIFIC PRICE, AND (2) THAT RTG PROVIDE FIRM GUARANTEE PIPELINE WILL BE BUILT WITHIN SPECIFIED TIME FRAME. (UNION HAS BACKED AWAY FROM EARLIER PROPOSAL THAT UNION BE PRIME CONTRACTOR IN CONSTRUCTION OF PIPELINE. UNION OFFICIAL TOLD EMBOFF THAT UNION DOES NOT WISH TO GET INVOLVED IN BUILDING \$200 MILLION PIPELINE WHICH COULD EVENTUALLY COST \$400 MILLION.) ACCORDING UNION V-P GREENWALT, IF UNION CAN GET SATISFACTORY CONTRACT, HIS FIRM WILL IMMEDIATELY DRILL ADDITIONAL WELLS TO DELINEATE FIELD; IF CONTRACT IS SIGNED PRIOR TO END OF JUNE DEADLINE SET BY PRIME MINISTER, UNION PROBABLY WOULD LIMITED OFFICIAL USE

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INITIATE DEVELOPMENT WORK BY END OF YEAR. UNION HAS INFORMED MINISTER OF INDUSTRY IN FIRM BUT FRIENDLY MANNER THAT COMPANY DOES NOT PLAN TO DO ANY ADDITIONAL EXPLORATION WORK UNLESS AND UNTIL CONTRACT IS SIGNED.

7. WE VIEW PIPELINE PROJECT AS NOT ONLY IMPORTANT TO U.S. COMMERCIAL INTERESTS BUT ALSO AS TYPE OF ECONOMIC DEVELOPMENT WHICH COULD MAKE A POSITIVE CONTRIBUTION TO INTERNAL STABILITY IN THAILAND. THAI PLANNERS IN MINISTRY OF INDUSTRY ALREADY VIEW GAS RESERVES AND PIPELINE AS EVENTUAL SOURCE OF FUEL FOR INDUSTRIAL PARK THEY ENVISION IN SATTAHIP-UTAPAO AREA AND AS LINK IN DEVELOPMENT OF MINERAL DEPOSITS IN NORTHEAST, DEEPWATER PORT AT BAN LAEM CHABANG AND EXTENSION OF RAILWAY SOUTHWARD FROM CHACHOENGSAO. GRANDIOSE AS SUCH SCHEMES MIGHT SEEM TODAY, DECISION TO BUILD PIPELINE COULD TURN OUT TO BE IMPORTANT FIRST STEP IN MAJOR DEVELOPMENTS IN THAILAND.

8. WE HAVE ACKNOWLEDGED RECEIPT OF MINISTER'S LETTER INFORMALLY, ADDING THAT MATTER HAS BEEN RELAYED TO DEPARTMENT FOR CONSIDERATION. PLEASE ADVISE ASAP. WHITEHOUSE

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Message Attributes

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